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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	
PACIFICORP DBA ROCKY MOUNTAIN)	CASE NO. PAC-E-16-06
POWER FOR AUTHORITY TO MODIFY)	
REGULATION NO. 9 DEPOSITS AND)	
ADVANCE PAYMENTS.)	COMMENTS OF THE
_____)	COMMISSION STAFF
)	

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its attorney of record, Neil Price, Deputy Attorney General, and in response to the Notice of Modified Procedure issued in Order No. 33482 on March 15, 2016, in Case No. PAC-E-16-06, submits the following comments.

BACKGROUND

On February 16, 2016, PacifiCorp dba Rocky Mountain Power ("Rocky Mountain" or "Company") submitted an Application to the Commission for an Order authorizing the Company to modify its Electric Service Regulation No. 9 – Deposits and Advance Payments.

Regulation No. 9 governs the circumstances under which the Company can require a customer to: (a) pay in advance before receiving service, with the Company to credit the payment to the customer's account at a later date; or (b) make a reimbursable deposit to secure a future payment or performance.

Regulation No. 9 currently applies different rules to three distinct customer groups: a residential group; a small commercial group; and a group combining the large commercial, industrial, and irrigation customer classes.

The Company's Application notes that, as of December 15, 2015, 58 customers on Schedule 10 – Irrigation and Soil Drainage Pumping Power Service – had a total balance in arrears of about \$1.6 million.

The Company is seeking authority to place the irrigation customers in a fourth, irrigation specific group under Regulation No. 9. The Company states that the fourth group would be subject to irrigation specific rules that will help to further reduce risk and mitigate bad debt expense for the Company and its customers.

If approved, the Company's proposed modifications would authorize Rocky Mountain to require advances from current, previous, or prospective customers prior to the Company providing service if the customer: (1) had a cumulative past due balance equal to or greater than \$25,000 on December 31 of the prior year; (2) had service disconnected for non-payment during the last four years; (3) sought, at any time, any form of relief under the federal bankruptcy laws, or has been discharged from bankruptcy, or whose receivership proceeding has been terminated, or whose bankruptcy proceedings have been dismissed; or (4) is requesting electric service from Schedule No. 10 for the first time.

The Company proposes that customers meeting the above criteria pay an advance, provide a guarantee of payment from a bank or financial institution acceptable to the Company, or obtain a guarantor acceptable to the Company. The Company states that it worked in a cooperative manner with representatives of the Idaho Irrigation Pumpers Association ("IIPA") to include the third option, "guarantor acceptable to the Company." The Company states that a guarantor must be: (1) an active Rocky Mountain Power customer; (2) currently taking Schedule No. 10 service that is larger or comparable in size; and (3) have no more than one late notice in the previous 12 months.

The Company may require a deposit, either through an upfront payment or a guarantee of payment from a bank, financial institution, or a guarantor acceptable to the Company, from current or previous irrigation customers prior to service in the following circumstances: (1) the irrigation customer received two or more past due notices for non-payment during the most recent irrigation season or, in the case of a previous customer, the last 12-month period during which

service was received; or (2) the irrigation customer was required to pay an advance prior to the previous irrigation season and the customer's account balance on December 31 was less than \$25,000 for that year.

An irrigation customer with more than one Schedule No. 10 account may be required to pay a deposit on all Schedule No. 10 accounts for which the irrigation customer is financially responsible and requesting service.

The Company noted that the deposit for each metered service will be equal to the estimated monthly bill for the two highest months of usage within the last two irrigation seasons. Payment of the deposit would be required prior to service for that irrigation season.

The Company states that it will promptly return deposit(s), with accrued interest, once an irrigation customer has paid all undisputed bills and has had no more than one past due notice during the past 12 months. Interest on deposits held by the Company will be accrued at the annual rate established by Commission Order and computed from the time the deposit is made until it is returned or applied to the customer's bill. No interest will accrue on a deposit if service is terminated temporarily at the request of a customer who leaves the deposit with the Company for future use as a deposit, or if service has been permanently terminated and the Company has been unsuccessful in its attempt to refund the deposit.

If foregoing proposed modifications are approved by the Commission, the Company intends to send an informational letter to customers who received a past due notice during the 2015 irrigation season or had an outstanding balance of \$25,000 or more as of December 31, 2015. The letter will inform these customers that a deposit or customer advance may be required before the Company will provide service for the 2017 irrigation season if a customer receives two or more notices during the 2016 irrigation season or has a past due balance of \$25,000 or greater as of December 31, 2016. Additionally, the first time a customer receives a past due notice during 2016, the Company will send a letter explaining Regulation No. 9 and informing said customers that a second past due notice may result in a required deposit before electric service is provided the following year.

The Company requests that the Commission approve its proposed modifications to Regulation No. 9 effective May 16, 2016, with the intent to implement the revisions before the 2017 irrigation season.

STAFF REVIEW

Staff has reviewed data supplied by Rocky Mountain and found evidence indicating an increasing level of credit risk for the Company. As pointed out by the Company in its Application, a few customers pose higher credit risk. As of December 31, 2015, 58 customers owed a total of \$1.6 million. Fifteen of those customers each owed \$25,000 or more. Furthermore, there is an upward trend in accounts receivable increasing from \$1,261,400 in 2013 to \$1,714,129 in 2015. The data also shows significant growth in the number of customers with 2 or more past due notices. The number of customers with 2 or more past due notices has grown from 878 in 2012 to 1207 customers in 2015, with incremental increases in the number of customers each year in-between.

In general, the Company has proposed a reasonable method for determining the degree of credit risk posed by Schedule No. 10 customers and adequately securing customer accounts. The new policy will encourage timely payment. However, Staff does not agree with the Company's proposal requiring all new customers to pay an advance. Staff also recommends the Company clarify its tariff prior to implementation.

New Customers

The Company has not demonstrated a need to collect an advance payment from first time applicants as proposed. There are relatively few new customers establishing service each year; there were 62 new Schedule No. 10 customers in 2015. The Company has not provided any evidence that shows new customers pose the same level of credit risk to the Company as existing customers who have a history of late payments or accumulating large arrearages. Currently, the Company can collect a deposit from new applicants and Staff recommends that this policy continue.

Staff recommends the Commission not approve the requirement that first time applicants pay an advance. An advance requires the customer to pay estimated usage for an entire irrigation season, a deposit requires the customer to pay two months of estimated usage prior to the start of the irrigation season. A deposit is less burdensome for new customers, limits the risk assumed by the Company, and allows new customers the ability to prove their credit-worthiness to the Company.

Clarification of Regulation No. 9

Staff recommends that Regulation No. 9 be revised to include information that is missing or needs clarification. Staff believes it is important to be clear about regulations that will directly affect customers' ability to receive and maintain service. The Company has an obligation to its customers to provide specific and detailed regulations regarding the Company's expectations.

The first area that Staff feels is important for the Company to address is how the Company intends to calculate an advance for a customer. Currently, Regulation No. 9 does not specifically address how the Company calculates an advance. Responses to Staff Production Requests Nos. 4 & 5 state that an advance will be based upon the customer's usage from the preceding season. New customers with no usage history with the Company would pay an advance based upon the usage of the previous customer at the new customer's location. Staff recommends that Regulation No. 9 be revised to explain how an advance will be calculated.¹

Another area of concern for Staff is the Company's guarantor policy. As proposed, a customer that is required to pay an advance has the option to obtain a guarantor. Regulation No. 9 mentions the option to use a guarantor but does not describe the criteria that will be used to determine if a guarantor "is acceptable to the Company." In the Company's Application, a guarantor is described as an active Rocky Mountain Power customer who's currently taking Schedule No. 10 service that is larger or comparable in size, and with no more than one late notice in the previous twelve months. Staff questioned how the Company determined if a guarantor was "larger or comparable in size." In response to Staff's Production Request No. 8, the Company indicated that the size of a guarantor is based upon the guarantor's previous year's usage for all active metered services. Staff recommends that Regulation No. 9 be revised to include criteria for guarantors.

Staff's final area of concern is a clarification for when a Schedule No. 10 customer is required to pay a deposit. The Company proposes that any Schedule No. 10 customer that was required to pay an advance in the preceding irrigation season and had a balance on December 31 of less than \$25,000 may be required to pay a deposit prior to receiving electric service for the upcoming irrigation season. In response to Staff's Production Request No. 9, the Company further clarified that customers in arrears of more than \$50.00 but less than \$25,000 may be

¹ As stated previously, Staff recommends that the Commission deny the Company's proposal to require new customers to pay an advance.

subject to a deposit. The Company did not provide its rationale for this particular range of arrearage amounts.

Staff recommends the lower limit be raised from \$50.00 to \$1,000. The Commission previously approved \$1,000 as the threshold for requiring a deposit from Idaho Power customers. *See* Case No. IPC-E-04-20, Order No. 29639. Staff believes this would be a reasonable threshold for Rocky Mountain customers as well and recommends its inclusion in Regulation No. 9.

Customer Relations and Customer Notice

As of April 7, the Commission has received two comments from the general public regarding the Application. One comment was opposed to deposits for customers with two or more late fees. Another commenter opposed advance payments for first time customers. The commenter stated that the advance payment requirement would make a young farmer take a big risk in an industry with tight margins. The commenter stated that this is the case with his son, who is attempting to work his way into farming operations in eastern Idaho. The commenter suggests a deposit is reasonable only for new customers and the advance is reasonable for existing customers that have been shown to be unreliable.

Staff discussed with Rocky Mountain the need for notifying customers of the Company's proposal and it agreed to contact existing customers. On March 25, 2016, existing Schedule No. 10 customers were mailed a letter from the Company detailing the proposed changes to its advance and deposit policies. With the comment deadline scheduled for April 15, 2016, customers had a reasonable opportunity to file comments regarding the Company's Application.

Upon receiving Commission approval, the Company will send letters to Schedule No. 10 customers most likely to be affected by the policy modifications. Staff supports the Company's proposed customer communication plan.

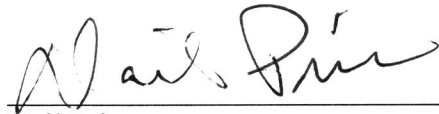
STAFF RECOMMENDATIONS

Staff makes the following recommendations to the Commission:

1. Approve Rocky Mountain's Application seeking approval of certain proposed changes to Regulation No. 9, subject to further modifications recommended by Staff below;

2. Deny the Company's proposal to require an advance payment for first time applicants and retain the current requirement to pay a deposit;
3. Order the Company to clarify Regulation No. 9 regarding how the Company calculates advance payments and determines the qualifications of a guarantor;
4. Order the Company to revise Regulation No. 9 to require a deposit for customers who paid an advance in the preceding season and have an outstanding balance of more than \$1,000 but less than \$25,000 on December 31; and
5. Approve the foregoing modifications to Regulation No. 9 with an effective date of May 16, 2016.

Respectfully submitted this 15th day of April 2016.



Neil Price
Deputy Attorney General

Technical Staff: Mark Rogers
Johnathan Farley

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 15TH DAY OF APRIL 2016, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF TO ROCKY MOUNTAIN POWER**, IN CASE NO. PAC-E-16-06, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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